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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 400 Session of  
2019

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INTRODUCED BY HUGHES, MUTH, L. WILLIAMS, FARNESE, SANTARSIERO,  
LEACH, KEARNEY, SCHWANK, TARTAGLIONE AND BREWSTER,  
MAY 3, 2019

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REFERRED TO EDUCATION, MAY 3, 2019

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AN ACT

1 Providing for student loan debt data collection and report, for  
2 procedures for student loans, for disclosure of higher  
3 education costs, for a student loan ombudsman, for higher  
4 education assistance by employers, for duties of the  
5 Department of Education, Department of Banking and Securities  
6 and Department of Revenue; establishing the Student Loan  
7 Refinancing Program; authorizing the Pennsylvania Higher  
8 Education Assistance Agency to issue bonds to fund the  
9 Student Loan Refinancing Program; establishing the Student  
10 Loan Refinancing Fund; providing for student loan debt tax  
11 credit, for application for tax credit, for taxpayer  
12 eligibility, for carryover and carryback, for outreach and  
13 marketing, for guidelines, for employer incentive for higher  
14 education assistance tax credit, for application for tax  
15 credits and for carryover, carryback and assignment of tax  
16 credits; and imposing penalties.

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14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 CHAPTER 1

17 GENERAL PROVISIONS

18 Section 101. Short title.

19 This act shall be known and may be cited as the Higher  
20 Education Loan Protection Act.

21 Section 102. Definitions.

22 The following words and phrases when used in this act shall  
23 have the meanings given to them in this section unless the  
24 context clearly indicates otherwise:

25 "Account." A tuition savings account or prepaid tuition plan  
26 as defined under section 529 of the Internal Revenue Code of  
27 1986 (Public Law 99-514, 26 U.S.C. § 529).

28 "Agency." The Pennsylvania Higher Education Assistance  
29 Agency.

30 "Cost of attendance." As defined in section 472 of the

1 Higher Education Act of 1965 (Public Law 89-329, 20 U.S.C. §  
2 1087II).

3 "Department." The Department of Education of the  
4 Commonwealth.

5 "Financial institution." Any of the following:

6 (1) A Federal or State-chartered bank.

7 (2) A building and loan association.

8 (3) A mutual savings bank.

9 (4) A bank and trust company.

10 (5) A savings bank.

11 (6) A savings and loan association.

12 (7) A trust company.

13 (8) A credit union.

14 "Institution of higher education." Includes any of the  
15 following:

16 (1) A community college operating under Article XIX-A of  
17 the act of March 10, 1949 (P.L.30, No.14), known as the  
18 Public School Code of 1949.

19 (2) A university within the State System of Higher  
20 Education.

21 (3) The Pennsylvania State University, the University of  
22 Pittsburgh, Temple University, Lincoln University or any  
23 other institution designated as State-related by the  
24 Commonwealth.

25 (4) The Thaddeus Stevens College of Technology.

26 (5) A college established under Article XIX-G of the  
27 Public School Code of 1949.

28 (6) An institution of higher education located in and  
29 incorporated or chartered by the Commonwealth and entitled to  
30 confer degrees as set forth in 24 Pa.C.S. § 6505 (relating to

1 power to confer degrees) and as provided for by the standards  
2 and qualifications prescribed by the State Board of Education  
3 under 24 Pa.C.S. Ch. 65 (relating to private colleges,  
4 universities and seminaries).

5 (7) A private school licensed under the act of December  
6 15, 1986 (P.L.1585, No.174), known as the Private Licensed  
7 Schools Act.

8 (8) A foreign corporation approved to operate an  
9 educational enterprise under 22 Pa. Code Ch. 36 (relating to  
10 foreign corporation standards).

11 "Ombudsman." The student loan ombudsman designated under  
12 section 901(a).

13 "Pennsylvania employer." A person, business entity or other  
14 entity, employing one or more persons in this Commonwealth for a  
15 salary, wage, commission or other compensation. The term  
16 includes the Commonwealth, a political subdivision and an  
17 instrumentality or public authority of the Commonwealth or a  
18 political subdivision.

19 "Private lender." Any of the following:

20 (1) A financial institution that solicits, makes or  
21 extends private student loans.

22 (2) Any other person engaged in the business of  
23 soliciting, making or extending private student loans.

24 "Private student loan." A loan provided by a private lender  
25 that is not made, insured or guaranteed under Federal or State  
26 law and is issued expressly for postsecondary educational  
27 expenses to a borrower, regardless of whether the loan is  
28 provided through the educational institution that the subject  
29 student attends or directly to the borrower from the private  
30 lender. The term does not include an extension of credit under

1 an open-end consumer credit plan, a reverse mortgage  
2 transaction, a residential mortgage transaction or any other  
3 loan that is secured by real property or a dwelling.

4 "Qualifying higher education contribution." Any payment or  
5 contribution made by an individual's employer to an individual's  
6 account, without regard to whether the payment is made as a  
7 match to payments made by the individual, independently of any  
8 payments by the individual, or is determined in any other  
9 manner.

10 "Qualifying student loan payment." Any payment or  
11 contribution made by an individual's employer to an individual's  
12 outstanding student loan debt.

13 "Secretary." The Secretary of Education of the Commonwealth.

14 "Student loan." A loan primarily for personal use to finance  
15 higher education or other higher-education-related expenses.

16 "Student loan borrower." A resident of this Commonwealth who  
17 has received or agreed to pay a student loan or any person who  
18 shares responsibility with a resident for repaying a student  
19 loan.

20 "Student loan servicer." Any person responsible for  
21 servicing of any student loan to any student loan borrower.

## 22 CHAPTER 3

### 23 STUDENT DEBT DATA COLLECTION

24 Section 301. Scope of chapter.

25 This chapter relates to data collection for purposes of  
26 tracking student debt trends in this Commonwealth.

27 Section 302. Student loan debt data collection.

28 By January 1 of each year, information shall be provided to  
29 the department as follows:

30 (1) The Board of Governors of the State System of Higher

1 Education shall provide the average amount of student loan  
2 debt incurred in the previous school year by resident  
3 undergraduate students enrolled at each institution within  
4 the system.

5 (2) The board of trustees of each community college  
6 shall provide the average amount of student loan debt  
7 incurred in the previous school year by resident  
8 undergraduate students enrolled at the community college.

9 (3) The Board of Trustees of the Thaddeus Stevens  
10 College of Technology shall provide the average amount of  
11 student loan debt incurred in the previous school year by  
12 resident students enrolled at the institution.

13 (4) The Board of Directors of the Pennsylvania College  
14 of Technology shall provide the average amount of student  
15 loan debt incurred in the previous school year by resident  
16 students enrolled at the institution.

17 (5) The board of trustees of each State-related  
18 university shall provide the average amount of student loan  
19 debt incurred in the previous school year by resident  
20 undergraduate students enrolled at the university.

21 (6) The Association of Independent Colleges and  
22 Universities of Pennsylvania or a successor organization of  
23 the private, nonprofit accredited institutions of higher  
24 education in this Commonwealth shall provide the average  
25 amount of student loan debt incurred in the previous school  
26 year by resident undergraduate students enrolled at each  
27 institution.

28 Section 303. Data analysis and report.

29 By May 1 of each year, the department shall do all of the  
30 following:

1 (1) Compile the information provided under section 302  
2 and, from that information, compute the Statewide average  
3 amount of student loan debt incurred in the previous school  
4 year by resident undergraduate students enrolled at the  
5 institutions specified in section 302.

6 (2) Compare the amount computed under paragraph (1) to  
7 the national average amount of student loan debt incurred in  
8 the previous school year by undergraduate students enrolled  
9 at institutions of higher education in the United States.

10 (3) Compare the amount computed under paragraph (1) to  
11 the Statewide average amount of student loan debt incurred by  
12 undergraduate students in this Commonwealth for the two  
13 school years immediately preceding the school year under  
14 paragraph (1) to determine whether student loan debt in this  
15 Commonwealth is increasing or decreasing.

16 (4) Submit a report regarding student loan debt incurred  
17 by resident undergraduate students at the institutions  
18 specified in section 302 to the Governor and the General  
19 Assembly and shall be posted on the department's publicly  
20 accessible Internet website. The report shall include an  
21 analysis of the information provided to the department under  
22 section 302, the Statewide average amount of student loan  
23 debt computed under paragraph (1) and the comparisons  
24 described in paragraphs (2) and (3).

## 25 CHAPTER 5

### 26 PRIVATE STUDENT LOAN PROTECTIONS

27 Section 501. Prerequisite for private student loan issuance.

28 (a) Institutional certification required.--Except as  
29 provided in subsection (b), before a private lender may issue  
30 any money with respect to a private student loan, the private

1 lender shall obtain from the institution of higher education  
2 where the loan is to be used by a student, the institution's  
3 certification of:

- 4 (1) The enrollment status of the student.
- 5 (2) The student's cost of attendance at the institution.
- 6 (3) The difference between the cost of attendance and  
7 the student's estimated financial assistance, including  
8 assistance received under Title IV of the Higher Education  
9 Act of 1965 and other financial assistance known to the  
10 institution, as applicable.

11 (b) Exception.--Notwithstanding subsection (a), a private  
12 lender may issue money with respect to a private student loan  
13 without obtaining an institution's certification if the  
14 institution fails to provide the requested certification, or  
15 notification that the institution has received the request for  
16 certification and will need additional time to comply with the  
17 request, within 15 business days of receipt of the request from  
18 the private lender.

19 (c) Loans disbursed without certification.--If a private  
20 lender issues money without obtaining a certification, as  
21 described in subsection (b), the private lender shall:

- 22 (1) Report the issuance of the money in a manner  
23 determined by the Department of Banking and Securities.
- 24 (2) On or before the date a private lender issues any  
25 money with respect to a private student loan, notify the  
26 relevant institution of higher education, in writing, of the  
27 amount of the private student loan and the student on whose  
28 behalf the private student loan is extended.

29 (d) Annual report.--A private lender that issues a private  
30 student loan shall prepare and submit an annual report to the

1 Department of Banking and Securities and the department. The  
2 report shall include the terms of each loan and any other  
3 information requested by the Department of Banking and  
4 Securities after consultation with the secretary.

5 Section 502. Duties of institution of higher education.

6 (a) Duties in connection with application for private  
7 student loan.--Within 15 business days of receipt of a request  
8 from a private lender under section 501, an institution of  
9 higher education shall either:

10 (1) provide certification to the private lender:

11 (i) that the student who initiated the application  
12 for the private student loan, or on whose behalf the  
13 application was initiated, is enrolled or is scheduled to  
14 enroll at the institution;

15 (ii) of the student's cost of attendance at the  
16 institution; and

17 (iii) of the difference between:

18 (A) the cost of attendance at the institution;

19 and

20 (B) the student's estimated Federal and State  
21 financial assistance received and any other  
22 assistance known to the institution, as applicable;

23 or

24 (2) notify the private lender that the institution has  
25 received the request for certification and will need  
26 additional time to comply with the certification request. An  
27 extension of time under this paragraph shall not exceed 10  
28 days.

29 (b) Duties in connection with certification request.--Upon  
30 receipt of a certification request described in section 501, and

1 prior to providing the certification, the institution of higher  
2 education shall:

3 (1) Determine whether the student has applied for and  
4 exhausted all Federal and State financial assistance  
5 available to the student and inform the student accordingly.

6 (2) Provide the student whose loan application has  
7 prompted the certification request by a private lender with  
8 the following information and disclosures:

9 (i) The amount of additional Federal and State  
10 student assistance for which the student is eligible and  
11 the advantages of Federal and State loans, including  
12 disclosure of the fixed interest rates, deferments,  
13 flexible repayment options, loan forgiveness programs and  
14 additional protections and the higher student loan limits  
15 for dependent students whose parents are not eligible for  
16 Federal Direct PLUS Loans.

17 (ii) The student's ability to select a private  
18 lender of the student's choice.

19 (iii) The impact of a proposed private student loan  
20 on the student's potential eligibility for other  
21 financial assistance, including Federal and State  
22 financial assistance.

23 (iv) The student's right to accept or reject a  
24 private student loan within the 30-day period following a  
25 private lender's approval of a student's application and  
26 the student's three-day right to cancel period.

27 (c) Definition.--As used in this section, the term "student"  
28 means a student who initiated an application for a private  
29 student loan or on whose behalf an application for a private  
30 student loan was initiated.

1 Section 503. Information to students.

2 (a) Loan statement.--A private lender that issues any money  
3 with respect to a private student loan shall send loan  
4 statements to the borrower not less than once every three months  
5 during the time that the student is enrolled at an institution  
6 of higher education.

7 (b) Content of loan statement.--Each statement described in  
8 subsection (a) shall:

9 (1) Report the borrower's total incurred debt and total  
10 remaining debt owed to the private lender, including accrued  
11 but unpaid interest and capitalized interest.

12 (2) Report any debt increases since the last statement.

13 (3) List the current interest rate for each loan and a  
14 history of the interest rate changes on each loan.

15 Section 504. Student borrower's right to know.

16 (a) Data compilation.--No later than 90 days after the  
17 effective date of this section, the Department of Banking and  
18 Securities shall compile data from financial institutions  
19 offering private student loans for the purpose of comparing  
20 private lenders' student loan interest rates, loan terms and  
21 repayment plans. The data collected shall be updated monthly and  
22 shall include also all of the following:

23 (1) Policies relating to deferment and forbearance.

24 (2) Loan default policies and penalties.

25 (3) Any other information that the Department of Banking  
26 and Securities deems relevant for the purpose of creating a  
27 list of private lenders that provide the lowest rates and  
28 best repayment options on student loans.

29 (b) Lists.--Using the data compiled under subsection (a),  
30 the Department of Banking and Securities shall:

1           (1) Create and maintain a database of private lenders,  
2           student loan interest rates, loan terms and repayment  
3           options.

4           (2) Compile a list of the 10 best private lenders based  
5           on interest rates, loan terms, repayment options and other  
6           policies that are most favorable to the student borrower.

7           (c) Public access.--The Department of Banking and Securities  
8           shall place the lists under subsection (b) at an easily  
9           accessible location on the department's Internet website. The  
10          Department of Banking and Securities shall update its Internet  
11          website on a monthly basis to ensure that the student loan  
12          information in the lists is current and accurate. Information  
13          pertaining to private lenders that are not listed under  
14          subsection (b) (2) shall also be posted on the Internet website  
15          of the Department of Banking and Securities, and the private  
16          lenders that provide the highest interest rates and strictest  
17          repayment options shall be clearly indicated.

18          (d) Internet links.--Each of the following entities shall  
19          provide, in an easily accessible location on the entity's  
20          Internet website, a link to the Internet website of the  
21          Department of Banking and Securities with the lists and other  
22          information under subsection (b):

23               (1) The department.

24               (2) The State System of Higher Education and each member  
25          university.

26               (3) The agency.

27               (4) Each State-related university in this Commonwealth.

28               (5) Each community college in this Commonwealth.

29               (6) Each private, nonprofit accredited institution of  
30          higher education in this Commonwealth.

1 (7) Each technical school in this Commonwealth.

2 CHAPTER 7

3 HIGHER EDUCATION COST TRANSPARENCY AND FINANCIAL LITERACY

4 Section 701. Cost transparency.

5 Each institution of higher education shall provide to a  
6 prospective or newly accepted student and to the student's  
7 parents or legal guardian clearly outlined and easy-to-  
8 understand information pertaining to all of the following:

9 (1) The total cost of attendance at the institution of  
10 higher education.

11 (2) The approximate or, if known, the actual total  
12 amount of financial aid that the student would receive from  
13 the institution of higher education and the approximate or,  
14 if known, the actual total amount of student loan debt that  
15 the student would accumulate over the course of four years if  
16 the student were to attend the institution of higher  
17 education for four years.

18 (3) Student loan rates, repayment plans, default rates  
19 and the actual monthly payment that would be required to pay  
20 the student loan debt described in paragraph (2) when the  
21 loan becomes due.

22 Section 702. Student borrower financial literacy.

23 (a) Applicability.--This section applies to any student loan  
24 offered by an institution of higher education or a private  
25 lender or recommended to a student by an institution of higher  
26 education, other than a federally funded, federally insured or  
27 federally guaranteed loan for which counseling is required by  
28 section 485 of the Higher Education Act of 1965 (20 U.S.C. §  
29 1092).

30 (b) Pre-loan counseling.--Before a student enters into a

1 student loan agreement, an institution of higher education or a  
2 private lender shall provide the student with comprehensive  
3 information on the terms and conditions of the loan and the  
4 responsibilities of the student with respect to the loan. The  
5 institution of higher education or private lender must provide  
6 the information to the student during a counseling session  
7 conducted in person, on a written form provided to the student  
8 that the student signs and returns, or online, with the student  
9 acknowledging receipt of the information. The information  
10 provided shall include all of the following:

11 (1) To the extent practicable, the effect of accepting  
12 the loan on the eligibility of the borrower for other forms  
13 of student financial assistance.

14 (2) How interest accrues and is capitalized during  
15 periods when the interest is not paid by the student.

16 (3) The definitions of full-time and half-time  
17 enrollment at the institution of higher education during  
18 regular terms and intersession terms, if applicable, and the  
19 consequences of not maintaining full-time or half-time  
20 enrollment.

21 (4) The importance of contacting the appropriate office  
22 at the institution of higher education if the student  
23 withdraws before completing the student's program of study so  
24 that the institution can provide counseling under subsection  
25 (d).

26 (5) Sample monthly repayment amounts, based on a range  
27 of levels of indebtedness.

28 (6) A good faith estimate of the student's projected  
29 loan debt-to-income ratio upon graduation, calculated using  
30 all of the following:

1 (i) The best available date on starting wages for  
2 the student's program of study, if available.

3 (ii) The estimated total student loan debt,  
4 including Federal debt and, to the best of the  
5 institution or private lender's knowledge, prior debt  
6 already incurred by the borrower on behalf of the  
7 student.

8 (iii) The estimated future debt required to complete  
9 the student's program of study.

10 (7) A warning that the higher the student's debt-to-  
11 income ratio is, the more difficulty the student is likely to  
12 experience in repaying the loan.

13 (8) A statement that the student should borrow the  
14 minimum amount necessary to cover expenses and that the  
15 student does not have to accept the full amount of the loans  
16 for which the student is eligible or offered.

17 (9) Options for reducing borrowing through scholarships,  
18 reduced expenses, work study or other work opportunities.

19 (10) An explanation of the importance of the student  
20 graduating on time or early to avoid additional borrowing,  
21 the course load necessary to graduate on time and how adding  
22 an additional year of study impacts total indebtedness.

23 (11) The obligation of the student to repay the full  
24 amount of the loan, irrespective of whether the student  
25 completes the student's program of study at the institution.

26 (12) The likely consequences if the borrower defaults on  
27 the loan, including adverse credit reports, difficulty in  
28 obtaining other loans, delinquent debt collection procedures  
29 and litigation.

30 (13) Whether the student has reached the limit on the

1 student's Federal and State student loan opportunities.

2 (14) The name of, and contact information for, an  
3 individual the student may contact if the student has any  
4 questions about the student's rights and responsibilities or  
5 the terms and conditions of the loan.

6 (15) How the borrower, a student or any member of the  
7 public may file a complaint about a lender with the Federal  
8 Consumer Financial Protection Bureau by calling a toll-free  
9 telephone number, or by completing a complaint form, which  
10 may be obtained on the bureau's Internet website. The toll-  
11 free telephone number and Internet website address of the  
12 bureau shall be included.

13 (16) How a student or member of the public may file a  
14 complaint about a lender with the Attorney General of the  
15 Commonwealth.

16 (c) Disclosure and counseling related to private student  
17 loan.--

18 (1) If the institution of higher education provides a  
19 private lender list to students, the institution shall  
20 provide general information about the loans available through  
21 the lender and disclose the reason for each lender's  
22 inclusion on the list. The institution shall also disclose  
23 with the list that the student may choose any lender  
24 irrespective of whether it appears on the list.

25 (2) In conjunction with providing counseling under  
26 subsection (b), the institution of higher education shall  
27 also clearly distinguish private student loans from Federal  
28 and State loans in individual financial aid awards by  
29 stating, for any private student loans included by the  
30 institution as part of the institution's award package, all

1 of the following:

2 (i) Whether the rate is fixed or variable.

3 (ii) An explanation that private lenders can offer  
4 variable interest rates that can increase or decrease  
5 over time, depending on market conditions.

6 (iii) An explanation that private student loans have  
7 a range of interest rates and fees and students should  
8 determine the interest rate of, and any fees associated  
9 with, private student loans included in their financial  
10 aid award package before accepting the loans.

11 (iv) A statement that a student should contact the  
12 private lender or the financial aid office of the  
13 student's institution of higher education if the student  
14 has questions about a private student loan.

15 (v) An explanation that the interest rate on a  
16 private student loan may depend on the borrower's credit  
17 rating.

18 (3) In addition to the prohibitions on issuing funds  
19 under section 501, a private lender may not accept a final  
20 and complete application for a private student loan from an  
21 applicant, or assess any fees upon an applicant, without  
22 first receiving certification from the applicant's  
23 institution of higher education that the applicant has  
24 received counseling from the institution under subsection (b)  
25 and that the counseling was conducted in person, unless the  
26 certification specified that the applicant elected to receive  
27 the counseling in a manner other than in person. The  
28 certification required under this paragraph shall be signed  
29 by the applicant and the institutional counselor and shall  
30 include the date of the counseling and the name, address and

1 telephone number of both the counselor and the applicant. An  
2 electronic facsimile copy of the counseling certification  
3 satisfies the requirement of this paragraph. The private  
4 lender shall maintain the certification in an accurate,  
5 reproducible and accessible format for the term of the  
6 student loan.

7 (d) Exit counseling.--As close as practicable to the date  
8 that a student graduates from, transfers from, withdraws from or  
9 otherwise completes the student's program of study at the  
10 institution of higher education, the institution shall provide  
11 the student with information relating to all of the following:

12 (1) Repayment plans that are available, including a  
13 description of the different features of each plan and sample  
14 information showing the average anticipated monthly payments  
15 and the difference in interest paid and total payments under  
16 each plan.

17 (2) Debt management strategies designed to facilitate  
18 the repayment of indebtedness.

19 (3) The options to prepay each loan, pay each loan on a  
20 shorter schedule or change repayment plans.

21 (4) The likely consequences of default on the loan,  
22 including adverse credit reports, difficulty in obtaining  
23 other loans, delinquent debt collection procedures and  
24 litigation.

25 (5) The effects of consolidation on a borrower's  
26 underlying loan benefits.

27 (6) Grace periods, loan forgiveness, cancellation and  
28 deferment opportunities.

29 (7) The borrower benefit programs of the borrower's  
30 lenders.

1 (8) The tax benefits that may be available to borrowers.

2 (9) How to enroll in income-based repayment.

3 (e) Counseling alternative.--With respect to a student who  
4 leaves an institution of higher education without the knowledge  
5 of the institution, the institution shall attempt to provide the  
6 information described in subsection (d) to the student in  
7 writing by mailing the information to the student at the address  
8 on file with the institution of higher education.

9 (f) Fees.--An institution of higher education may assess a  
10 reasonable fee on each private student loan to the private  
11 lender to defray the cost of counseling under this section in an  
12 amount not exceeding \$50. The agency and the Department of  
13 Banking and Securities shall jointly promulgate rules to  
14 implement and administer this subsection.

15 (g) Definition.--As used in subsection (b), the term  
16 "student" means a student who initiated an application for a  
17 private student loan or on whose behalf an application for a  
18 private student loan was initiated.

19 CHAPTER 9

20 STUDENT LOAN OMBUDSMAN

21 Section 901. Student loan ombudsman.

22 (a) Designation of ombudsman.--Within 90 days of the  
23 effective date of this section, the secretary shall designate an  
24 individual to serve as the ombudsman who shall be responsible  
25 for providing assistance to student loan borrowers.

26 (b) Powers and duties.--The ombudsman shall have the  
27 following powers and duties:

28 (1) To receive, review and attempt to resolve any  
29 complaints from student loan borrowers, including, but not  
30 limited to, attempts to resolve complaints in collaboration

1 with institutions of higher education, private lenders,  
2 student loan servicers and any other participants in student  
3 loan lending.

4 (2) To compile and analyze data on student loan borrower  
5 complaints and post the results on the department's publicly  
6 accessible Internet website.

7 (3) To assist student loan borrowers with understanding  
8 their rights and responsibilities under the terms of the  
9 student loans.

10 (4) To provide information to the Governor and General  
11 Assembly regarding the problems and concerns of student loan  
12 borrowers and make recommendations to resolve any problems or  
13 concerns.

14 (5) To analyze and monitor the development and  
15 implementation of Federal, State and local laws, regulations  
16 and policies relating to student loan borrowers and recommend  
17 any State or local changes deemed necessary.

18 (6) To review the complete student loan history for any  
19 student loan borrower who has provided written consent for  
20 such review.

21 (7) To disseminate information concerning the  
22 availability of the ombudsman to assist student loan  
23 borrowers and potential student loan borrowers, as well as  
24 institutions of higher education, student loan servicers and  
25 any other participant in student loan lending, with any  
26 student loan servicing concerns.

27 (8) To take any other actions necessary to fulfill the  
28 objectives of this chapter.

29 (c) Form.--The department shall develop any forms necessary  
30 to implement this chapter. All forms shall be posted on the

1 department's publicly accessible Internet website.

2 Section 902. Education and outreach.

3 (a) Responsibility of ombudsman.--The ombudsman shall be an  
4 advocate for student loan borrowers in this Commonwealth and  
5 shall be responsible for conducting education and outreach  
6 regarding student loans throughout this Commonwealth.

7 (b) Student loan borrower course.--The ombudsman shall  
8 establish a student loan borrower education course that shall be  
9 available on the department's publicly accessible Internet  
10 website that shall include educational presentations and  
11 materials regarding student loans. At least once every two  
12 years, the ombudsman shall review and update the education  
13 course to reflect any changes in law, policy or other areas  
14 related to student loans.

15 (c) Minimum course requirements.--The course under  
16 subsection (b), at a minimum, shall include:

17 (1) Key loan terms.

18 (2) Documentation requirements.

19 (3) Repayment obligations.

20 (4) Repayment options, including income-based or income-  
21 driven repayment and loan forgiveness.

22 (5) Disclosure requirements.

23 CHAPTER 11

24 EMPLOYER-PROVIDED HIGHER EDUCATION ASSISTANCE

25 Section 1101. Scope of chapter.

26 This chapter relates to authorizing and incentivizing  
27 employers to assist employees with the costs of higher education  
28 and student debt repayment.

29 Section 1102. Employer matching contributions to employee-owned  
30 tuition account program.

1 (a) Matching contribution authorized.--Notwithstanding any  
2 provision of law to the contrary, beginning January 1, 2020, a  
3 Pennsylvania employer may make a qualifying higher education  
4 contribution to the account of an employee who is an account  
5 owner as an employee benefit.

6 (b) Maximum contribution.--A contribution made by a  
7 Pennsylvania employer under this section may not exceed \$500 per  
8 year for the employee who is an account owner. Contributions  
9 shall be made in a form and manner required by the Treasury  
10 Department.

11 (c) Tax treatment of employer contributions.--Contributions,  
12 and any increase in the value of those contributions, made by a  
13 Pennsylvania employer under this section shall be exempt from  
14 all taxation by the Commonwealth and its political subdivisions  
15 for the employee who is an account owner and the beneficiary of  
16 the account.

17 (d) Federal taxation.--The Treasury Department may take  
18 appropriate action in order to obtain a determination from the  
19 Internal Revenue Service or any other Federal agency as to  
20 whether contributions made under this chapter and the increase  
21 in value of the contributions shall be a transaction which will  
22 subject the employer or account owner to Federal taxation.

23 (e) Definitions.--As used in this section, the following  
24 words and phrases shall have the meanings given to them in this  
25 subsection unless the context clearly indicates otherwise:

26 "Account." A tuition account program established under the  
27 act of April 3, 1992 (P.L.28, No.11), known as the Tuition  
28 Account Programs and College Savings Bond Act.

29 "Account owner." As defined in section 302 of the Tuition  
30 Account Programs and College Savings Bond Act.

1 "Beneficiary." As defined in section 302 of the Tuition  
2 Account Programs and College Savings Bond Act.

3 Section 1103. Employer qualifying student loan payments.

4 (a) Qualifying student loan payments authorized.--

5 Notwithstanding any provision of law to the contrary, beginning  
6 January 1, 2020, a Pennsylvania employer may make qualifying  
7 student loan payments on behalf of an employee as an employee  
8 benefit. Payments shall be made directly to the entity that  
9 holds the student loan debt of the employee.

10 (b) Plan.--A Pennsylvania employer who offers qualifying  
11 student loan payments to its employees shall:

12 (1) Develop a separate written plan to provide employees  
13 with qualifying student loan payments.

14 (2) Ensure that the plan is available to all employees  
15 with student loan debt.

16 (3) Ensure that the plan does not discriminate in favor  
17 of employees who are highly compensated employees or have  
18 high student debt. The fact that an employee does not hold  
19 student loan debt shall not be the basis of a claim of  
20 discriminatory application of this program.

21 (4) Not provide qualifying student loan payments in  
22 lieu of other remuneration.

23 (5) Provide annual notification of the availability and  
24 terms of the program to eligible employees.

25 (c) Tax treatment.--Qualifying student loan payments made by  
26 a Pennsylvania employer in accordance with this section shall be  
27 exempt from all taxation by the Commonwealth and its political  
28 subdivisions for the employee. This subsection shall not apply  
29 to any qualifying student loan payment made under a program or  
30 policy which does not satisfy subsection (b).

1 (d) Limitation.--The exemption from taxation in subsection  
2 (c) shall be limited to \$2,400 for each taxable year in which  
3 payments are made.

4 (e) Federal taxation.--The Department of Revenue may take  
5 appropriate action in order to obtain a determination from the  
6 Internal Revenue Service or any other Federal agency as to  
7 whether qualifying student loan payments made under this section  
8 shall be a transaction which will subject the employer or  
9 employee to Federal taxation.

10 Section 1104. Transfer of employee unused paid time off for  
11 student loan payments.

12 (a) Unused paid time off transfer authorized.--  
13 Notwithstanding any provision of law to the contrary, beginning  
14 January 1, 2020, a Pennsylvania employer that offers its  
15 employees paid time off may, in lieu of carrying the unused paid  
16 time off into the next year, allow the employee to convert up to  
17 five days of unused paid time off at the end of each calendar  
18 year into a qualifying student loan payment to be made by the  
19 employer on behalf of the employee. The amount of the payment  
20 shall be the product of the employees hourly wage rate  
21 multiplied by eight hours a day.

22 (b) Program.--A Pennsylvania employer who offers the program  
23 under subsection (a) must:

24 (1) Develop a separate written program outlining the  
25 program.

26 (2) Ensure that the program is available to all  
27 employees who receive employer paid time off and who hold  
28 student loan debt.

29 (3) Ensure that the program is nondiscriminatory in  
30 application. The fact that an employee does not hold student

1 loan debt shall not be the basis of a claim of discriminatory  
2 application of the program.

3 (4) Provide reasonable notification of the availability  
4 and terms of the program to eligible employees.

5 (c) Tax treatment.--Qualifying student loan payments made by  
6 a Pennsylvania employer in accordance with this section shall be  
7 exempt from all taxation by the Commonwealth and its political  
8 subdivisions for the employee. This subsection shall not apply  
9 to any qualifying student loan payment made under a program or  
10 policy which does not satisfy subsection (b).

11 (d) Federal taxation.--The Treasury Department may take  
12 appropriate action in order to obtain a determination from the  
13 Internal Revenue Service or any other Federal agency as to  
14 whether qualifying student loan payments made under this section  
15 shall be a transaction which will subject the employer or  
16 employee to Federal taxation.

## 17 CHAPTER 13

### 18 STUDENT LOAN REFINANCING PROGRAM

19 Section 1301. Scope of chapter.

20 This chapter relates to providing financial relief to  
21 Commonwealth residents carrying student loan debt.

22 Section 1302. Definitions.

23 The following words and phrases when used in this chapter  
24 shall have the meanings given to them unless the context clearly  
25 indicates otherwise:

26 "Bond." A bond authorized under this chapter for the purpose  
27 of funding the program.

28 "Program." The Student Loan Refinancing Program established  
29 under section 1303(a).

30 Section 1303. Student Loan Refinancing Program.

1 (a) Establishment.--The agency shall establish a program to  
2 be known as the Student Loan Refinancing Program.

3 (b) Purpose.--The purpose of the program is to ease the  
4 financial burden on residents of this Commonwealth who have  
5 student loan debt by providing an option to refinance that debt  
6 in order to reduce interest rates and total repayment amounts.

7 (c) Administration.--The agency shall administer the program  
8 as follows:

9 (1) Only residents of this Commonwealth shall be  
10 eligible to participate in the program.

11 (2) The maximum amount an individual may refinance  
12 through the program shall be \$150,000.

13 (3) Except as provided under subparagraph (4), the  
14 agency may not charge an interest rate in excess of 4% per  
15 annum.

16 (4) The agency may charge an interest rate in excess of  
17 4% per annum but not to exceed 10% if necessary to cover the  
18 actual costs associated with administering the program.

19 (5) The agency shall, at a minimum, offer student loan  
20 repayment options of 10 years, 15 years and 20 years.

21 (6) The agency may set as many repayment options as the  
22 agency deems appropriate to effectively administer the  
23 program. No repayment option may exceed 40% of a  
24 participant's debt-to-income ratio.

25 Section 1304. Bond issuance.

26 (a) Issuance.--Notwithstanding any other provision of law,  
27 the agency shall issue bonds for the purpose of funding the  
28 program.

29 (b) Debt or liability.--The following apply:

30 (1) Bonds shall not be a debt or liability of the

1 Commonwealth and shall not create or constitute any  
2 indebtedness, liability or obligation of the Commonwealth.

3 (2) Bond obligations shall be payable solely from  
4 revenues or funds pledged or available for repayment as  
5 authorized under this chapter.

6 (3) Each bond shall contain on the bond's face a  
7 statement with all of the following information:

8 (i) The agency is obligated to pay the principal of  
9 or interest on the bonds only from the revenues or funds  
10 pledged or available for repayment as authorized under  
11 this chapter.

12 (ii) The full faith and credit of the Commonwealth  
13 is not pledged to the payment of the principal of or the  
14 interest on the bonds.

15 Section 1305. Bond limitations.

16 (a) Limitation.--The agency may issue bonds in an aggregate  
17 principal amount not to exceed \$1,000,000,000 provided that the  
18 amount of debt incurred may not exceed \$250,000,000 in any  
19 fiscal year. The agency shall determine the principal amounts of  
20 taxable and tax-exempt bonds to be issued for the program. The  
21 agency shall determine if a bond or multiple bonds will be  
22 issued for the program.

23 (b) Debt service.--The agency shall annually notify the  
24 Governor and the chair and minority chair of the Appropriations  
25 Committee of the Senate and the chair and minority chair of  
26 Appropriations Committee of the House of Representatives of the  
27 debt service payment due on bonds issued under this chapter.  
28 Annual debt service for bonds shall be paid from proceeds of  
29 Article II of the act of March 4, 1971 (P.L.6, No.2), known as  
30 the Tax Reform Code of 1971.

1 Section 1306. Deposit of bond proceeds.

2 The Student Loan Refinancing Fund is established in the State  
3 Treasury. Except as otherwise provided for in any contract with  
4 the bondholders, all appropriations and payments deposited into  
5 the Student Loan Refinancing Fund are appropriated on a  
6 continuing basis to the agency to be used solely for the purpose  
7 of refinancing outstanding student loans under the program. The  
8 net proceeds of any bond issued under this chapter, money  
9 received from repayments of principal on loans from the Student  
10 Loan Refinancing Fund, payments of interest, other fees and  
11 charges with respect to refinances made under this chapter and  
12 insurance premiums and charges assessed and collected by the  
13 agency on loans made from the Student Loan Refinancing Fund  
14 shall be deposited into the Student Loan Refinancing Fund.

15 CHAPTER 15

16 STUDENT LOAN DEBT TAX CREDIT

17 Section 1501. Definitions.

18 The following words and phrases when used in this chapter  
19 shall have the meanings given to them in this section unless the  
20 context clearly indicates otherwise:

21 "Department." The Department of Revenue of the Commonwealth.

22 "Eligible student loan payment." The amount the qualified  
23 taxpayer paid during the taxable year in principal and interest  
24 on student loans.

25 "Qualified tax liability." The liability for taxes imposed  
26 under Article III of the act of March 4, 1971 (P.L.6, No.2),  
27 known as the Tax Reform Code of 1971, for the taxable years  
28 beginning after December 31, 2018.

29 "Tax credit." The student loan debt tax credit provided  
30 under this chapter.

1 "Taxpayer." A resident individual of this Commonwealth who:

2 (1) holds one or more student loans;

3 (2) is not currently delinquent or in default on any  
4 student loans; and

5 (3) made eligible student loan payments in the taxable  
6 year for which the tax credit is sought.

7 Section 1502. Application for tax credit.

8 A taxpayer may claim a student loan debt tax credit against  
9 the qualified tax liability of the taxpayer by submitting an  
10 application for the tax credit in a form and manner required by  
11 the department.

12 Section 1503. Maximum credit.

13 (a) Taxpayer credit.--A taxpayer may claim a tax credit  
14 equal to the amount of eligible student loan payments made by  
15 the taxpayer. No tax credit may exceed \$500 per tax year.

16 (b) Spouses.--In the case of a married couple, each spouse  
17 is eligible for the tax credit.

18 (c) Limitation on credits.--In no case shall the aggregate  
19 amount of tax credits awarded in any fiscal year exceed  
20 \$10,000,000.

21 Section 1504. Refund and carryback.

22 (a) Refund.--If a taxpayer cannot use the entire amount of  
23 the tax credit for the taxable year when the taxpayer is  
24 eligible for the credit, the taxpayer may claim a refund of the  
25 excess amount.

26 (b) Taxable years.--A tax credit approved by the department  
27 in a taxable year shall only be applied against the taxpayer's  
28 qualified tax liability for the taxable year in which the credit  
29 is sought.

30 (c) Limitations.--A taxpayer may not carry back, sell or

1 assign an unused tax credit.

2 Section 1505. Outreach and marketing.

3 The department shall establish and implement by January 1,  
4 2020, an outreach and marketing plan to make taxpayers aware of  
5 the availability of the tax credit.

6 Section 1506. Guidelines.

7 The department shall adopt guidelines necessary to administer  
8 this chapter, including, but not limited to, all of the  
9 following:

10 (1) Guidelines that provide for the forms necessary to  
11 submit an application for the tax credit.

12 (2) Guidelines that authorize taxpayers to file a joint  
13 State tax return and submit an application for the tax  
14 credit.

## 15 CHAPTER 17

### 16 EMPLOYER INCENTIVE FOR HIGHER EDUCATION

#### 17 ASSISTANCE TAX CREDIT

18 Section 1701. Definitions.

19 The following words and phrases when used in this chapter  
20 shall have the meanings given to them in this section unless the  
21 context clearly indicates otherwise:

22 "Business firm." An entity authorized to do business in this  
23 Commonwealth and subject to taxes imposed under Article III, IV,  
24 VI, VII, VIII, IX or XV of the act of March 4, 1971 (P.L.6,  
25 No.2), known as the Tax Reform Code of 1971. The term includes a  
26 pass-through entity.

27 "Department." The Department of Revenue of the Commonwealth.

28 "Pass-through entity." Any of the following:

29 (1) A partnership as defined in section 301(n.0) of the  
30 Tax Reform Code of 1971.

1           (2) A Pennsylvania S corporation as defined in section  
2       301(n.1) of the Tax Reform Code of 1971.

3       "Qualified tax liability." The liability for taxes imposed  
4 under Article III, IV, VI, VII or IX of the Tax Reform Code of  
5 1971. The term shall not include any tax withheld by an employer  
6 from an employee under Article III of the Tax Reform Code of  
7 1971.

8       "Qualifying employer-provided higher education assistance  
9 payment." A payment made by a business firm on behalf of an  
10 employee as authorized under Chapter 11.

11       "Tax credit." The employer incentive for higher education  
12 assistance tax credit provided under this chapter.

13 Section 1702. Application for tax credits.

14       (a) Application.--A business firm may apply to the  
15 department for a tax credit provided under this chapter in the  
16 form and manner required by the department.

17       (b) Review and approval.--The department shall review and  
18 approve or disapprove the applications in the order in which  
19 they are received. Upon determining that the business firm has  
20 incurred qualified employer-provided higher education assistance  
21 payments, the department may approve a tax credit.

22       (c) Qualification.--In order to qualify for a tax credit, a  
23 business firm must include information on the business firm's  
24 application documentation verifying the total qualified  
25 employer-provided higher education assistance payments made in  
26 the taxable year that ended in the prior calendar year.

27 Section 1703. Carryover, carryback and assignment of tax  
28           credits.

29       (a) Carryover.--

30           (1) If a business firm cannot use the entire amount of

1 the tax credit for the taxable year in which the tax credit  
2 is first approved, the excess may be carried over to  
3 succeeding taxable years and used as a credit against the  
4 qualified tax liability of the business firm for those  
5 taxable years.

6 (2) When the tax credit is carried over to a succeeding  
7 taxable year, the tax credit shall be reduced by the amount  
8 that was used as a credit during the immediately preceding  
9 taxable year. A tax credit may be carried over and applied to  
10 succeeding taxable years for no more than three taxable years  
11 after the first taxable year for when the taxpayer was  
12 entitled to claim the tax credit.

13 (b) Qualified tax liability.--A tax credit approved by the  
14 department in a taxable year first shall be applied against the  
15 business firm's qualified tax liability for the current taxable  
16 year as of the date when the tax credit was approved before the  
17 tax credit can be applied against any tax liability under  
18 subsection (a).

19 (c) Carryback or refund prohibited.--A business firm shall  
20 not be entitled to carry back or obtain a refund of all or any  
21 portion of an unused tax credit granted to the business firm.

22 Section 1704. Availability of tax credits.

23 (a) Aggregate amount.--The aggregate amount of tax credits  
24 awarded in a fiscal year may not exceed \$5,000,000.

25 (b) Limitation.--A tax credit may not exceed 25% of the  
26 total qualified employer-provided higher education assistance  
27 payments made by a business firm in the taxable year.

28 Section 1705. Penalties.

29 A business firm that receives a tax credit that exceeds the  
30 limitation under section 1704(b) in a taxable year shall repay

1 to the Commonwealth the excess amount of the tax credit  
2 received.

3

CHAPTER 31

4

MISCELLANEOUS PROVISIONS

5 Section 3101. Effective date.

6

This act shall take effect in 60 days.